


Motion Sheet
April 25, 2023
Mayor and Council Meeting

Consent Agenda: I move to adopt the Consent Agenda. (Mayor Pro Tem Mitchell will read the agenda items)

23-G-66	Approval of minutes from the March 21, 2023 and April 11, 2023 meeting.
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ACTION ITEMS:

23-O-03	<p>Introduction of FY '24 Budget Ordinance - An Ordinance Of The Mayor And Council Of The City Of College Park To Adopt The Fiscal Year 2024 General Fund, ARPA Allocation Fund, Capital Projects Fund And Debt Service Fund Budgets Of The City Of College Park - Gary Fields, Director of Finance</p> <p><i>The Public Hearing will be held on May 9, 7:30 p.m. in the Council Chambers of College Park City Hall</i></p>
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	<p style="text-align: center;">CITY OF COLLEGE PARK, MARYLAND DISCUSSION / PRESENTATION COVER REPORT</p> <p>Prepared By: Gary Fields, Finance Director</p> <p>Meeting Date: 4/25/23</p> <p>Presented By: Kenny Young, City Manager Bob Ryan, Public Services Director Gary Fields, Finance Director</p>
<p>Originating Department: Public Services</p>	
<p>Topic: Discussion of setting a different property tax rate for vacant and blighted properties</p>	
<p>Strategic Plan Objective: OKR 1 – Innovate and improve City services to enhance quality, value, and accessibility for all our residents.</p>	
<p>Background: Vacant and blighted properties can be residential, commercial, or industrial, and can involve a wide range of circumstances. These properties can pose a threat to public safety and can be a public nuisance.</p> <p>Vacant/blighted properties include abandoned buildings, unused lots that attract trash and debris, under-leased shopping strip/plaza commercial properties, neglected industrial properties with environmental contamination, deteriorating single-family homes/apartments with significant housing code violations, and housing that remains vacant for long periods of time.</p> <p>These properties can create a drain on City resources in a variety of ways:</p> <ul style="list-style-type: none"> - reduce city tax revenues - through tax payment delinquency, reduced assessments due to lower value, and lowered property values in the surrounding neighborhood. - low occupancy rates reduce value and can be used as the basis for property assessment appeal. - added costs of enforcement, patrol, and maintenance in some cases. <p>In the past, the City has encouraged certain types of development through tax credits. However, a tax credit can only be granted if authorized by the State. At this point, while Montgomery County is authorized to grant tax credits to blighted properties, this option is not available in Prince George's County.</p> <p>The City is authorized under §6-303 of the Real Property Article to set the municipal tax rate. If not otherwise prohibited by the Real Property Article, the City may set special rates for any class of property that is subject to the municipal corporation property tax. The Real Property Article does not prohibit setting a special tax rate for vacant and/or blighted properties.</p> <p>Some local governments are setting higher property tax rates for vacant and/or blighted properties to incentivize and encourage property owners to properly maintain their property and/or achieve higher occupancy rates at a set standard. Two local examples are the City of Mount Rainier, in Prince George's County, which taxes vacant developed property at a higher rate and Washington, DC, which taxes both vacant and blighted properties at a higher rate. The attachments to this report include related ordinances or information about their policies with vacant property.</p>	

The City of College Park has discussed this topic in the past – in 2015. That discussion was about defining, identifying and maintaining a listing of vacant/blighted properties, but did not include imposing a special property tax rate.

There are a number of questions and legal issues that would need to be addressed if the City Council desires staff to further investigate implementing a higher tax rate on vacant and/or blighted property. Attachment 1 – Discussion Topics for the Council Meeting on April 25, 2023, summarize many of those topics.

Attachment 4 is a list of possible vacant properties in the City provided by Code Enforcement. These are not verified. There are 26 properties that may fall into the vacant classification.

Fiscal Impact:

The purpose of setting a different property tax rate is not to generate additional revenue for the City, but rather to encourage/incentivize property owners to have properties occupied and maintained.

Council Options:

1. Direct staff to further investigate implementing a higher tax rate on vacant and/or blighted properties or to take no further action.

Staff Recommendations:

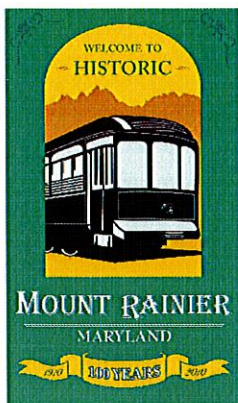
1. Staff will take direction and guidance from City Council

Attachments:

1. Discussion topics from Councilmember Adams
2. Copy of the City of Mt. Rainier's Ordinance 04-2019 related to a higher property tax rate on vacant developed property.
3. Copy of Washington DC's Office of Tax and Revenue information on vacant real property
4. List of possible vacant properties in the City of College Park (UNVERIFIED)

Having a Different Property Tax Rate for Vacant/Blighted Properties
Discussion Topics for City Council Meeting April 25, 2023

1. Prior Council Discussions (2015) and Overall Goals
 - a. Definition and Process of Vacant Homes
 - b. Overall Goals - compel usage of our City assets; affordable housing/commercial, economic activity, QOL.
2. Other Municipalities with Vacant and/or Blighted Property Tax
 - a. Washington, DC
 - b. Mt. Rainier
3. Legal Authority:
 - a. Legal authority for the City to establish a vacant property tax
 - b. Legal authority for the City to establish a blighted property tax
 - c. Confirm that a vacant and/or blight property tax can be applied to all five property classes (Single-family residential, apartments, condos, commercial, industrial) or any combination of the five property classes.
4. Discuss how a vacant and/or blighted property tax would be implemented
 - a. Typically, a vacant and/or blighted property tax would increase the City property tax levy by a certain multiplier (from 30.18 cents * 3 = 90.54 cents per \$100 in assessed value).
 - i. Example of a home worth \$300k would be \$905 in current City taxes; however, if designated as vacant and the vacant rate was 3x, then the property tax for the home would be \$2,716 (\$1,811 increase).
 - ii. Example for a small business property, valued at \$1 million, would be \$3,018 in current City taxes. If designated as vacant, with that rate set at 3x, the property tax would be \$9,054 (\$6,036 increase).
 - iii. Example for a large apartment complex, with a value of \$50 million, current City taxes would be \$150,900. If designated vacant, with that rate set at 3x the property tax would be \$452,700 (\$301,800 increase).
 1. *Note that certain commercial property that has multiple occupants (businesses) the higher tax rate would be pro-rated based on the percentage of vacancy.*
 - b. Definition of a vacant and/or blighted property.
 - c. Process of designating a vacant and/or blighted property.
 - i. Warnings to property owners
 - ii. Community feedback to submit inquiries
 - iii. City Staff time/process
 - iv. Fiscal/Calendar year
 - d. Appeals board for vacant and/or blighted property.
 - i. Guidelines
 - ii. Resident members only or allow business owners as well



Introduced and Read: April 2, 2019
 Amended: April 2, 2019
 Second Reading and Adoption: May 7, 2019

CITY OF MOUNT RAINIER, MARYLAND

ORDINANCE NO. 04-2019

Drafted by: City Attorney and City Treasurer

Introduced by: Shivali Shah

Amending Chapter 2, Assessments and Taxation and Fees, of the *Mount Rainier Code* to Facilitate the Sale of Vacant Developed Properties and Amending Chapter 3B to Temporarily Exclude Properties that Become Vacant because of the Death of an Owner-Occupant or a Disaster from the Application of the Vacant Developed Property Tax Rate and Registration Requirement

WHEREAS, on March 7, 2017, the Council adopted Ordinance 01-2017, revising the City's policies and procedures regarding vacant buildings and establishing a municipal tax rate for vacant developed property; and

WHEREAS, the purpose of the vacant developed property tax was to encourage property owners to sell, lease or occupy vacant properties to prevent neighborhood blight; and

WHEREAS, the vacant developed property tax has proven effective at encouraging the sale of vacant properties; and

WHEREAS, the applicability of the vacant developed property tax rate to properties at the time of sale has interfered with the ability of potential purchasers to obtain financing because it creates the appearance that a property will remain subject to the increased tax rate when it is transferred to the purchaser; and

WHEREAS, the Council wishes to facilitate and streamline the sale of vacant developed properties to new owners; and

WHEREAS, the City does not wish to impose the vacant developed property tax upon properties that are temporarily vacant because of the death of the owner or because a fire, flood or natural disaster has rendered the property uninhabitable.

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF MOUNT RAINIER, MARYLAND, that Chapter 2, Assessments and Taxation and Fees, and Chapter 3B, Vacant Buildings and Vacant Lot Registration of the *Mount Rainier Code* are amended as follows:

Section 2-108. Vacant developed real property tax.

- A. The definitions prescribed in Section 3B-104 shall apply to this Section.
- B. The municipal tax rate for vacant developed property shall be the amount established by the Ordinance setting the tax rate for that fiscal year on assessments of property subject to municipal property tax.
- C. A lot or parcel shall be subject to the vacant developed property tax rate if it has a building that is registered or designated by the City Manager as a vacant building in accordance with Chapter 3B.
- D. For mixed-use commercial and residential properties with a vacant commercial portion, the vacant developed property tax rate shall apply only to the assessed value of the improved area containing the vacant commercial portion, which shall be determined by multiplying the total assessed value of the improvements by the percentage of the improved area consisting of the vacant commercial portion.
- E. The vacant developed property tax rate shall not apply to a lot or parcel with a vacant utilitarian building if the property also has an occupied building that has an above-grade area equal to or greater than that of the utilitarian building.
- F. Vacant developed property shall not be subject to the vacant developed property tax rate when it is under active construction or undergoing active rehabilitation, renovation, or repair, and there is a valid building permit to make the building fit for occupancy. The exemption from the vacant developed property tax rate under this paragraph shall not exceed a total of two years while the property remains under the ownership of one person or related persons.
- G. The City Manager shall transmit to the Prince George's County tax assessor a list of properties subject to the vacant developed property tax by May 1 of each year, and the vacant developed property tax rate will be levied upon the properties the following fiscal year.
- H. When a property becomes occupied or exempt from the vacant developed property tax rate pursuant to Subsection F, the owner shall notify the City Manager in the manner as may be prescribed by regulation. If the request for termination of the vacant developed property tax rate is approved, the termination shall be effective the following fiscal year.
- I. If the vacant developed property tax rate is paid on a property because of an error on the part of the City, the municipal property tax paid in excess of the taxes due under the regular municipal rate shall be refunded. Refunds pursuant to this subsection shall not exceed the value of the excess payment for a period of one year.
- J. The City Manager will, upon request, provide written notice to the lenders for prospective purchasers of vacant developed property that the property will not be subject to the vacant

developed property tax rate commencing the following fiscal year if the property is occupied or satisfies the requirements of subsection E.

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CHAPTER 3B VACANT BUILDINGS AND VACANT LOT REGISTRATION

Section 3B-103. Definitions

In this Chapter, the definitions in The BOCA National Property Maintenance Code/1996 shall apply, with the following exceptions:

* * *

G. **Vacant developed property** means a lot or parcel of land that has a vacant building except as provided in Section 3B-107.

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Section 3B-104. Vacant Buildings

* * *

N. Designation of vacant buildings.

1. Notice of vacancy designation and right to appeal. The City Manager shall identify nonregistered vacant buildings. The owner shall be notified that the owner's building has been designated as a vacant building, that the property will be subject to the vacant developed property tax rate under Section 2-108, if applicable, and of the owner's right to appeal the vacancy designation. The notice shall advise the owner of the availability of exceptions to the registration requirement and vacant developed tax rate under Section 3B-107.

* * *

Section 3B-107. Exceptions.

A. Temporary exception for death of owner-occupant.

1. A residential property that becomes vacant as a result of the death of an owner of the property who resided at the property or for whom the property was their domicile at the time of their death shall not constitute a vacant developed property for a period of two years after the date of death.
2. To qualify for this exemption, a representative of the estate of the deceased must provide the City Manager with a copy of the death certificate and proof that, on the date of death, the deceased resided at the property or the property was their domicile.

3. Domicile means the place where a person has his or her true, fixed, permanent home, habitation and principal establishment, without any present intention of removing therefrom, and to which place he or she has the intent to return when absent.

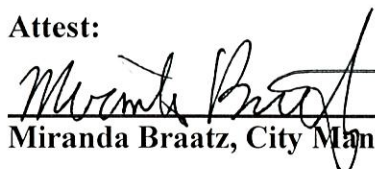
B. Temporary exception for accidental damage.

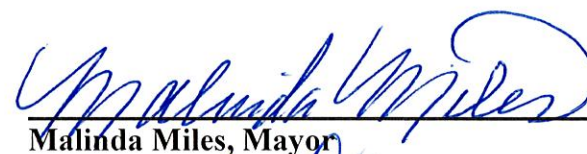
1. An occupied residential property that becomes uninhabitable as a result of a fire or flood, unless intentionally caused by the owner or his or her agent, or a natural disaster, shall not constitute a vacant developed property for a period of two years after the incident that caused the property to become uninhabitable.

2. To qualify for this exemption, the owner must provide satisfactory proof to the City Manager that the property is uninhabitable as a result of a fire, flood, or natural disaster, and the date the fire, flood, or natural disaster occurred. Examples of records that may constitute satisfactory proof include, but are not limited to, police and fire reports, insurance company correspondence and claim documentation, news and weather reports, photographs, videos, and code enforcement inspection records.

THIS ORDINANCE IS ADOPTED BY THE COUNCIL OF THE CITY OF MOUNT RAINIER THIS 7th DAY OF MAY, 2019.

Attest:



Miranda Braatz, City Manager


Malinda Miles, Mayor


Luke Cheseck, Councilmember Ward 1


Celina Benitez, Councilmember Ward 1


Bryan Knedler, Councilmember Ward 2


Shivali Shah, Councilmember Ward 2

From Washington DC Website:

[OTR Vacant Real Property | otr \(dc.gov\)](#)

OTR Vacant Real Property

The "Fiscal Year 2011 Budget Support Act of 2010" created a Class 3 property tax rate for vacant commercial and residential properties and a Class 4 tax rate for blighted properties in the District of Columbia. Class 3, vacant property, is taxed at \$5.00 per \$100 of assessed value and Class 4, blighted property, is taxed at \$10.00 per \$100 of assessed value.

The DC Code allows for exceptions that may allow a vacant property to receive the lower Class 1 or Class 2 tax rate, provided that certain conditions are met. Vacant property owners should contact the [Department of Consumer and Regulatory Affairs \(DCRA\)](#) for information regarding exceptions related to improved vacant property.

Roles in Vacant Property Identification

The Nuisance Properties Abatement and Real Property Classification Emergency Amendment Act of 2006 made several changes to the Class 3 tax classification program. This act defined the roles that DCRA and the Office of Tax and Revenue (OTR) have in the identification and processing of vacant properties.

DCRA receives complaints, identifies and processes the registration of vacant properties by owners, and administers certain fines if property owners do not register.

DCRA also inspects properties, completes an annual survey of vacant properties, and certifies a list of vacant improved properties to OTR. OTR then changes the classification for the properties on the tax roll to the correct status for the appropriate real property tax year.

Reporting Vacant Property

Individuals can report vacant property directly to DCRA by calling (202) 442-4400 or by emailing vacantbuildings@dc.gov.

Possible Vacant Property (January 2022) - NOT verified				
BLDG #	Street Name	Suffix	Type of vacant property	Evidence of vacancy
4503	Amherst	Road	Residential	Confirmed unoccupied for years
4501	Beechwood	Road	Residential	Undergoing interior cosmetic work
7131	Baltimore	Avenue	Commercial lot	Razed building
7313 A	Baltimore	Avenue	Commercial	FOR LEASE signage
4612	College	Avenue	Residential	Vacant during inspection in 2020
4619	College	Avenue	Residential	Unoccupied
5013	Nantucket	Road	Residential	Unoccupied
5011	Nantucket	Road	Residential	Unoccupied
9802	53rd	Avenue	Residential	Unoccupied
5014	Apache	Street	Residential	Unoccupied
9917	Rhode Island	Avenue	Commercial	Vacant
9927	Rhode Island	Avenue	Commercial	Vacant
9037	49th	Place	Residential	Overgrown
4800	Indian	Lane	Residential	Owner Confirmation
9608	48th	Place	Residential	Neighbor Confirm
4910	Lackawana	Street	Residential	Owner Confirmation
9403	Baltimore	Avenue	Commercial	Unoccupied
9409	Baltimore	Avenue	Commercial	Unoccupied
9624	Autoville	Drive	Residential	Unoccupied
9702	Autoville	Drive	Residential	Unoccupied
9592	Baltimore	Avenue	Commercial	Unoccupied
9600	Baltimore	Avenue	Commercial	Unoccupied
7521	Sweetbriar	Drive	Residential	Unoccupied
7608	Sweetbriar	Drive	Residential	Unoccupied
8006	54th	Avenue	Residential	Unoccupied
8302	49th	Avenue	Residential	Unoccupied

PUBLIC COMMENT

13. B - Discussion of having a different property tax rate for vacant and blighted properties

From: Aubrey Batten <aubrey.batten@gmail.com>

Sent: Monday, April 24, 2023 8:55 PM

To: cpmc <cpmc@collegeparkmd.gov>

Subject: Comment for City Council meeting

Hello,

I would like to submit the attached written comment for tomorrow's City Council meeting for the discussion on levying higher tax rates on vacant and blighted properties. I am a city resident.

I plan to make this comment in person, but would like the references included in the record.

Thank you,

Aubrey Batten

Dear Mayor Pro Tem and Council,

My name is Aubrey Batten and I am a resident of College Park Woods in District 4. I am in support of levying fees and/or increased tax rates against vacant properties in College Park. Such a tax would increase the supply of housing and commercial space available in the city, apply downward pressure on rental rates and purchase prices, and improve the quality of our neighborhoods.

I am sure that every Councilmember has their own list of known vacant properties they get regular comments about from constituents. A beautiful house across from my home has been vacant for going on four years. These vacant properties, even when kept up, contribute to the shortage of housing in our community by creating an artificial scarcity. This applies not only to housing, but useable commercial space as well. Vacant properties drive up prices significantly and contribute to the problem of rampant speculation and the siphoning off of our City's wealth by out-of-town investors.

This is not a novel approach to the housing supply problem. DC has had such a measure since 2010, with vacant properties being assessed a six-fold increase from their normal rates, and blighted properties nearly twelve-fold¹. Vancouver, British Columbia implemented a vacant property tax in 2019; by the end of 2020, more than 1,000 properties that paid the tax in 2019 had been rented or sold. The city of Vancouver estimates that this tax alone will mean an addition of 18,000 new units of housing to their region in the long term².

This is not a magic bullet solution, and should be paired with other best practices aimed at increasing the housing supply and disincentivizing speculation. Importantly, if implemented, this measure **must** be enforced. Lax enforcement in DC meant that of their 3,000 known vacant properties, only 189 were being taxed appropriately a decade after the tax was first levied³. Code enforcement will need to make this a priority.

I would also like to urge the Council to set this rate high! Please consider likely loopholes that big-time landlords will seek out to avoid this new expense. Diversified large property owners will be able to write off the increased tax as a business expense against other income and continue holding properties vacant -- unless the costs of doing so outweigh the tax advantages.

I hope you support this proposal, and I thank you for your time and attention.

Respectfully,

Aubrey Batten